

BOARD OF COMMUNITY HEALTH  
February 8, 2007

The Board of Community Health held its regularly scheduled meeting at Atlanta Technical College, the Cleveland L. Dennard Conference Center, 1560 Metropolitan Parkway, Atlanta, Georgia. Board members attending were Richard Holmes, Chairman; Ross Mason, Vice Chairman; Mark Oshnock, secretary; Bruce Cook; Mary Covington; Dr. Inman C. "Buddy" English; Kim Gay, and Dr. Ann McKee Parker. Commissioner Medows was also present. (A list of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments # 1 and # 2).

**Approval of Minutes**

Mr. Holmes called the meeting to order at 10:36 a.m. The Minutes of the January 11 meeting were UNANIMOUSLY APPROVED AND ADOPTED.

**Chairman's Comments**

Mr. Holmes thanked the host, Atlanta Technical College, for allowing the Board to conduct its meeting at the Cleveland L. Dennard Conference Center. He asked Dr. Medows to give the Commissioner's Report.

**Commissioner's Comments**

Commissioner Medows said she had three areas to discuss: the Governor's budgets for FY 07 and 08, the new Center for Medicare and Medicaid Services (CMS) rule and its effect on the State of Georgia and healthcare providers, and an additional public notice regarding the PeachCare program.

Dr. Medows said CFO Carie Summers will be going over the budgets in detail today, but she wanted to touch on several highlights. In the FY 07 Governor's recommended amended budget, the appropriations received for the State Health Benefit Plan (SHBP) are expected to meet the needs of the program and no additional funding is requested in the FY 07 Amended Budget. For the Medicaid Program, the 2007 appropriations are expected likewise to meet the needs of the program for FY 2007. However for FY 2008, the Department anticipates in the Medicaid program a \$166 million hole in the base of program funding. This hole is created as the State of Georgia has run out of the Upper Payment Limit (UPL) surplus funds. These were funds that were generated in 2005 and have been used to fund the program in 2006 and 2007. This is separate and a part from the projected increased expenditures for 2008 which is another \$128 million. With respect to the Governor's 2008 Recommended Budget, significant findings are: 1. Nursing Home Rate Increase as well as a rate increase for the SOURCE program providers, state funds to allow private hospital participation in the Disproportionate Share Hospital (DSH) program in the amount of \$10 million, funding for additional requests, and for the Health Information Technology and Transparency work, a recommendation of \$1 million.

Dr. Medows continued with the second item—the new CMS rule and its impact. This rule notice was released on January 18 and within this rule are the Department's new cost limits on Medicaid payments to providers, new federal definition of what constitutes a public provider, restrictions on the source of state matching funds, and mandates on the use of Medicaid payments received. This rule will impact hospitals, nursing homes (including state nursing homes), school based children's intervention services, i.e., therapy for children, graduate medical education and teaching programs for physicians and public health care clinics. With this rule the Department stands to lose \$471 million in federal funds just for DSH and UPL alone (the current program is \$777 million). An additional \$263 million currently provided outside of state appropriations serving as matching funds would not be permitted.

Lastly, Dr. Medows said with heavy heart, the Department would be releasing a public notice that announces a freeze on new enrollment in the PeachCare program. She said those children who are already in the program will continue to receive services as long as existing funds last. Dr. Medows stated that this was not an announcement of the program termination. She said to date the Department does not have a defined allocation, appropriation or commitment to go forward. Since the last board meeting, Dr. Medows said several members of the General Assembly, the Governor's Office and she visited multiple members of Congress; Governor Perdue testified to the Senate Finance Committee; Speaker of the House Pelosi and Majority Leader Reid sent a letter to the President asking him to attach to the Iraq Supplemental bill to address the SCHIP funding shortfall; and 76 members of Congress have written a letter in support of the SCHIP and sent it to the House Budget Committee. Dr. Medows said there are many individuals sincerely working hard to find a solution for the State; however, she does not have a commitment going forward. She said the State has not given up and will continue to work on saving PeachCare for Kids.

Ms. Gay commended Dr. Medows, the Governor and others who have worked very hard to garner support at the federal level for the SCHIP.

## **Committee Reports**

Mr. Holmes asked Kim Gay, Chairman of the Care Management Committee, to give the committee report. Ms. Gay said the Committee talked about enrollment trending and tweaked reports that the Committee would like Kathy Driggers, Chief of Managed Care and Quality, to present to the Committee at the next meeting. The Committee also talked about utilization, customer service and how the Committee could continue monitoring customer service and provider access issues.

Mr. Oshnock reported that the Audit Committee discussed State Health Post Retirement Benefits. As a part of the benefit plan for the state employees there are post retirement healthcare benefits. For the first time, the amount of the obligation due to these benefits is required to be disclosed in the 2007 Financial Statements for the Department. The State has had an actuarial firm determining those liabilities, and as of June 30, 2005, the liability is approximately \$15 billion. The state pays approximately \$300-400 million per year to fund on a pay-as-you-go basis post retirement benefits. The funding required to fully fund the obligation over the next period of time would be close to \$1.2 billion per year. The Governor's FY 08 budget recommendation to begin funding those benefits is \$100 million. This issue will be discussed before the board in the future.

## **Department Updates – CFO**

Mr. Holmes called on Carie Summers, Chief Financial Officer, to discuss in further detail the FY 07 Amended Budget and the FY 08 Budget. She began with an overview of major topics of the budget by program.

In the Medicaid/PeachCare for Kids programs she discussed addressing end of prior year surplus. In FY 2005, excess Intergovernmental Transfers from the Upper Payment Limit program were rolled forward to provide one-time coverage for needs in the FY 2006 Amended and FY 07 budgets. In FY 2008 these one-time funds will not be available which will create a \$166.6 million hole in the base budget. The Governor recommends providing the dollars in the AFY 07 to cover that hole; those dollars would then roll forward to be used in FY 08.

Ms. Summers said in FY 2008 \$128.1 million in new state funds will be needed to cover growth in Medicaid Benefits. That is based on a 3.7% projected enrollment growth or about 50,000 members, mostly in the Low-Income Medicaid (LIM) population, assumed medical Consumer Price Index growth in payments that are made to the CMOs through capitation rates, and enrollment and Per Member Per Month (PMPM) costs in the Aged, Blind and Disabled population is expected to be stable due to FY 07 Administrative Services Organizational function.

Ms. Summers reviewed the program enhancements in the Medicaid/PeachCare for Kids programs. In the Indigent Care Trust Fund program, dollars will be made available in the Disproportionate Share Hospital Program (DSH) for private hospitals who are eligible to participate in DSH. In AFY 2006 the General Assembly appropriated \$14 million. In AFY 2007 the Governor is recommending \$10 million. The Nursing Home Provider fees will increase and will be used to implement a two-part rate change for Medicaid rates, generating \$10.8 million in new state funds in FY 2007 and \$26.7 million in FY 2008. There is an additional rate increase in the budget for the SOURCE program. The Governor's FY 08 recommendation would increase the new rate to \$175 PMPM with a total cost of \$2.4 million. Other enhancements include an External Quality Review Organization which is federally required. This vendor will perform an independent review of the CMOs to assess quality, access, and performance outcomes for the Georgia Healthy Families Program (\$8 million total funds). In addition, in the Program Integrity program, there is a recommendation of almost \$2 million total funds in FY 08 for five full time equivalent positions to focus on claims screening for over-utilization, pharmacy lock-in program and license verification and provider linkage system.

In the State Health Benefit Program (SHBP) the FY 2008 total expenditure growth is expected to be 12.7 % growth, mostly in PMPM cost and a small enrollment growth. The Department believes \$215 million is needed in new revenue or expenditure reduction. In the Governor's recommendations, the \$215 million need is covered by two items: increase the employer's contribution by increasing the percent of payroll 1.82% and increase the employee's contribution by increasing premiums 10% beginning January 1, 2008.

Beginning in FY 07, Ms. Summers said states are required to disclose their liabilities for Other Post Employment Benefits (OPEB). The SHBP's OPEB liability is \$15 billion based on a June 30, 2005 valuation. The Governor has recommended \$100 million in the FY 08 Budget to begin addressing the annual OPEB liability for state agencies. The \$100 million is generated by increasing state agency payroll contributions 4.3%. There are no reductions in retiree benefit coverage or increases in retiree premium cost (other than the 10% premium increase recommended for all members) in Calendar Year 2008.

In the Health Care Access and Improvement programs there are three new initiatives: the Health Improvement Advisory Board (\$28,181 in FY 07 and \$37,977 in FY 08); the Rural Georgia Health Care Access to invest in the creation of a rural health safety net program ( \$1.5 million in Tobacco Settlement Funds); and Health Information Technology to support transparency in health care quality and pricing via web site development and implementation and four HIT pilot projects (\$1 million in state general funds). Also, the Governor's budget seeks to eliminate several programs in the Health

Care Access and Improvement programs that received one-time funds in FY 07 (approximately \$1 million reduction).

Ms. Summers continued with a review of the Department's administrative support needs (\$148,662 total new state funds in AFY 07 and \$387,312 in FY 08), statewide budget changes for all state agencies (\$1,469,139 in FY 08), changes to the (accounting) Programmatic Budget Structure, and Account Adjustments.

Ms. Summers said in summary, the Governor is recommending about \$11 billion total funds in AFY 07 or a 12% increase (\$273.3 million total new state funds). The FY 08 Budget is expected to be up to \$11.7 billion or a 5.4% increase (\$123.9 million total new state funds). Ms. Summers addressed questions from the Board. A discussion ensued about benchmarking other Medicaid programs. Ms. Summers discussed how the Department might be able to utilize various governmental reports and financial indicators to provide the board with external benchmarks. (A copy of Fiscal Year 2007 Amended and Fiscal Year 2008 Governor's Recommended Budget Presentation is attached hereto and made an official part of these Minutes as Attachment # 3).

Mr. Holmes asked Ms. Summers to continue with the Nursing Home Services Public Notice. The notice was approved to be published for public comment at the January 11 meeting. The nursing home provider fee would increase to \$13.11 per day and would increase the reimbursement rate from 0% to 4.5% for dates of service between February 11 and March 31, and in April 1 the Department would make the growth allowance 4% with the one-half percent difference being used to pay for the incentive fees that will begin in April. The Department received no oral or written comments during the public comment period. Ms. Gay MADE a MOTION to approve the Nursing Homes Services Public Notice. Dr. Parker SECONDED the MOTION. Mr. Holmes called votes; votes were taken. The MOTION WAS UNANIMOUSLY APPROVED. (A copy of the Nursing Home Services Public Notice is attached hereto and made an official part of these Minutes as Attachment # 4).

Mr. Holmes began discussion on the PeachCare for Kids Public Notice that Dr. Medows referenced in the Commissioner's Comments. He asked Mark Trail, Chief, Medical Assistance Plans, to read in its entirety the PeachCare for Kids Public Notice for the benefit of the audience. The Department is required to give public notice of any state plan amendment that limits or restricts eligibility in the State Children's Health Insurance Program, known as the Georgia's PeachCare for Kids Program. The public notice will discontinue new enrollment in the PeachCare for Kids Program effective March 11, 2007. The notice also addresses the handling of any new applications received or postmarked after March 11, 2007, and the failure to provide timely premium payments or failure to provide required income verification. An opportunity for public comment will be held on February 23, 2007 at 10:00 a.m. Mr. Mason MADE a MOTION to approve to be published for public comment the PeachCare for Kids Public Notice. Ms. Gay SECONDED the MOTION. Mr. Holmes called votes; votes were taken. The MOTION WAS UNANIMOUSLY APPROVED. (A copy of the PeachCare for Kids Public Notice is attached hereto and made an official part of these Minutes as Attachment # 5).

### **New Business**

Mr. Holmes said he would like the board members to get a clear understanding of the dashboards, new items that may be potentially placed on those dashboards regarding the CMOs and other quality measures of the Department. He asked the Department to provide this information at the next board meeting.

### **Adjournment**

There being no further business to be brought before the Board at the meeting Mr. Holmes adjourned the meeting at 11:42 a.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE \_\_\_\_\_

DAY OF \_\_\_\_\_, 2007.

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RICHARD L. HOLMES  
Chairman

ATTEST TO:

\_\_\_\_\_  
MARK D. OSHNOCK  
Secretary

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 FY 2007 Amended and FY 2008 Governor's Recommended Budget Presentation
- #4 Nursing Home Services Public Notice
- #5 PeachCare for Kids Public Notice